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C O N F I D E N T I A L SANTIAGO 000829

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SUBJECT: Chile's Foreign Minister Outlines Honduras, UNASUR Challenge

CLASSIFIED BY: Paul E. Simons, Ambassador; REASON: 1.4(B), (D)

¶1. (C) SUMMARY. In a September 2 conversation with the Ambassador, Foreign Minister Fernandez suggested that Honduran President Zelaya needed to adopt a more conciliatory public tone to ease his return to power, and that it was important for the sake of hemispheric unity that he return to Honduras (even in a much weakened form) prior to the November elections. Fernandez was relatively upbeat on the Bariloche UNASUR summit, saying that there was a nucleus of UNASUR moderates who could still salvage the institution and work together in concrete areas including health and narcotrafficking. END SUMMARY.

¶2. (U) Foreign Minister Mariano Fernandez met with the Ambassador on September 2 at the Embassy, after signing the Embassy's condolence book for Senator Kennedy.

HONDURAS

¶3. (C) Fernandez said that his major hemispheric concern remains Honduras. Zelaya, he suggested, was surrounded by a fanatical group of close advisors who were pushing him in the direction of Chavez. During Zelaya's recent visit to Santiago, President Bachelet advised him to adopt a more moderate public tone. Fernandez suggested that a senior U.S. government official - perhaps the Vice President - urge Zelaya to make a high minded speech that could help jump start a process of national reconciliation in Honduras. Until Zelaya changes his public tone along these lines, Fernandez suggested, it would be impossible to get the de factos to agree to his return.

¶4. (C) On the upcoming elections, Fernandez said it was extremely important for Zelaya to return - perhaps with some previous understandings with the de factos on the scope of his activities as President - at some point prior to the actual elections. Without Zelaya's return, the ALBA countries, with strong support from Brazil, would question the legitimacy of the elections. While Colombia and Peru would likely line up in support of the elections, other moderates including Chile, Argentina,

Paraguay and Uruguay, would come under extreme pressure to line up with the Brazilians and reject the outcome of the elections. This outcome would be extremely damaging for hemispheric unity. The best way to avoid this result would be to engineer a return of a chastened Zelaya whose authority and scope for movement would be carefully circumscribed in his final months in office.

15. (C) Fernandez defended the actions of OAS SYG Insulza on Honduras, claiming that he had only a restricted brief from member states in June that restricted his ability to play the role of an honest broker. Since then, members had gradually recognized the need for Insulza to establish closer ties with the de factos, and he had complied.

16. (C) On U.S. actions, Fernandez said that the recent move to restrict visa services was extremely important, as were possible next steps on suspending assistance and canceling visas for members of the de facto regime.

UNASUR SUMMIT

17. (C) Fernandez said that the August 28 UNASUR summit in Bariloche had a satisfactory outcome, and that it could have been far worse. Among his observations on the summit:

--Lula's early morning pre-meeting with Chavez was extremely important to moderate Chavez' public statements at the actual UNASUR meeting.

--Paraguayan President Lugo was very positive, making it clear he does not want to isolate Colombia or situate himself in the Chavez camp.

--Ecuador and Venezuela were relatively isolated in their stridently anti-U.S. positions.

--Argentine President Fernandez was "hopeless", at one point digressing into a fifteen minute diatribe on a textual change that was "completely incoherent".

--The open public spat between Lula and Correa over Correa's inept chairmanship of the meeting highlighted Brazil's concern that UNASUR could fall apart during Ecuador's tenure as chair.

18. (C) Fernandez said that UNASUR could still redeem its mission as a useful South American coordination body on issues such as health, narcotrafficking, defense policy and even energy, provided the Ecuadorians manage the process effectively, and moderates including Chile, Brazil, Peru and Colombia put some effort into the process.

TRIANGULAR ASSISTANCE

19. (C) Fernandez said that, following up on Bachelet's June visit to Washington, it was extremely important to activate triangular U.S. Chile assistance programs in third countries, citing Haiti, Paraguay, Bolivia and El Salvador as top priorities for Chile. The Ambassador described the ongoing visit to Chile (coordinated by USDA/APHIS) of top phytosanitary experts from Dominican Republic, Costa Rica, El Salvador, Guatemala and Nicaragua as a good example of our respective agricultural agencies moving ahead quickly to carry out this agenda. Fernandez applauded the agricultural cooperation and said he hoped we would move quickly in other sectors in those countries most vulnerable to potential ALBA overtures.

SIMONS